



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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July 13, 2011

TO: Russ Guiney, Director
Department of Parks and Recreation

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **DEPARTMENT OF PARKS AND RECREATION - AUDITS OF DC
GOLF'S REVENUE AGREEMENTS**

In 2008, at the request of the Department of Parks and Recreation (DPR), we contracted with a Certified Public Accounting (CPA) firm, Mayer Hoffman McCann P.C. (Mayer), to audit DPR's revenue agreements with DC Golf, for the Eaton Canyon and Altadena golf courses from December 2003 to March 2008. The audits were intended to determine whether DC Golf had properly reported its gross receipts, and had paid the correct rent to the County.

In reviewing the audit reports and the amendments to the DC Golf agreements that were approved by the Board in May 2010, we identified some issues which we believe DPR needs to address. Specifically, how DPR assesses late fees on revenue contracts, and ensuring that DC Golf corrects the recordkeeping issues noted by Mayer. The following are the details of these issues.

Background

Mayer's audits disclosed that DC Golf had underpaid its rent at Eaton Canyon by \$602,361, and at Altadena by \$508,443, or a total of \$1,110,804. Mayer reported that the underpayments were due to DC Golf not paying its monthly rent to the County for approximately 30 months from 2005 to 2008. Mayer also reported that DC Golf owed approximately \$368,977 in related late fees.

The underpayments were apparently related to DC Golf's 2003 request to renegotiate its rent as allowed under the terms of the agreements. In response to that request, DPR and the CEO hired an independent consultant to review the agreements and rent.

Based on the consultant's study, in May 2010, the Board of Supervisors (Board) approved amendments to the DC Golf revenue agreements. The amendments also resulted in DC Golf paying a reduced amount of past due rent to the County, the County waiving late fees for the past due rent, and reducing DC Golf's future rent by 50%.

Late Fees

We noted that the late fees in Mayer's audit reports, \$368,977, were significantly greater than the late fees in the Board letter regarding the contract amendments, \$41,732. The difference is primarily due to how the late fees were calculated. The agreements state that late fees shall be charged at 2% per month, but do not specify if the late fees should be compounded. Mayer computed the late fees as 2% per month for each month each rent payment was late (compounded), while DPR computed late fees as a total of 2% of the entire amount of unpaid rent.

DPR staff noted the lease agreements do not expressly require that late fees be calculated on a compound basis. However, we believe Mayer's methodology is more consistent with the County's intent of providing an incentive for timely payment. As previously noted, the Board approved waiving the late fees for DC Golf. However, to clarify this issue for future agreements, we recommend that DPR ensure that future contracts specifically state that late fees will be calculated on a compound basis.

Recommendation

- 1. DPR management ensure that future contracts specifically state that late fees will be calculated on a compound basis.**

Recordkeeping Issues

Mayer's audits also noted that DC Golf did not maintain adequate cash receipt records for the two golf courses, and that the recordkeeping deficiencies could result in inaccurate gross receipt totals and inaccurate rent payments to the County. Accurate and complete cash receipt records are critical for analyzing business volume trends, and setting future lease rates to ensure the best possible return for the County. As such, DPR management should revisit the basis for the 50% rent reduction when DC Golf corrects the issues with their cash receipt records.

We followed up to determine what action has been taken to correct the recordkeeping issues noted in Mayer's audit reports. DPR indicated that they have not evaluated whether DC Golf has corrected the deficiencies. However, DPR recently requested that we develop a Master Agreement work order to have the CPA firm that is doing the current revenue audits reevaluate DC Golf's, and other contractors', financial records. We anticipate this review will be completed by December 31, 2011.

If the CPA firm concludes that DC Golf has not corrected the recordkeeping deficiencies, DPR should impose penalties allowed under the agreements.

Recommendation

- 2. DPR management impose penalties allowed under the agreements if DC Golf has not corrected the recordkeeping deficiencies noted in Mayer's audit reports.**

DPR staff have indicated they concur with our recommendations. Copies of the audit reports are attached (Attachments I and II). We thank DPR management and staff for their cooperation and assistance. Please call me if you have any questions.

WLW:JLS:RGC:TK

Attachments

c: Rita Robinson, Deputy Chief Executive Officer
Public Information Office
Audit Committee

COUNTY OF LOS ANGELES

Report on Audit of Concessionaire Agreement

Altadena Golf Course

For the period December 1, 2003
through March 31, 2008

COUNTY OF LOS ANGELES
Report on Audit of Concessionaire Agreement
Altadena Golf Course
For the period December 1, 2003 through March 31, 2008

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INDEPENDENT AUDITORS' REPORT

We have audited the financial statements, as listed in the Table of Contents, of the Altadena Golf Course for the period December 1, 2003 through March 31, 2008. The payments made to the County, gross sales, rent earned and other amounts included in the financial statements are the responsibility of the management of the Altadena Golf Course located in the City of Altadena. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance regarding whether or not the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts presented in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

As more fully described in Note 2 to the Financial Statements, the management of the Altadena Golf Course prepared the information used to generate the financial statements in accordance with contractual requirements. The accounting practices used to prepare the financial statements may differ in some respects from generally accepted accounting principles. Accordingly, the accompanying financial statements, which are based in part on the Concessionaire's Monthly Statement, are not intended to present the financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the payments made to the County, gross sales by reporting category and rent earned by the Altadena Golf Course for the period December 1, 2003 through March 31, 2008, in conformity with the basis of accounting described in Note 2.

Ms. Wendy L. Watanabe
Acting Auditor-Controller
County of Los Angeles
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In accordance with *Government Auditing Standards*, we have also issued a report dated September 16, 2008 on our consideration of Altadena Golf Course's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the County of Los Angeles Auditor-Controller, the County of Los Angeles Department of Parks and Recreation and the management of the Altadena Golf Course, and is not intended to be and should not be used by anyone other than those specified parties.

Mayer Hoffman McCann P.C.

Irvine, California
September 16, 2008

COUNTY OF LOS ANGELES
Report on Audit of Concessionaire Agreement
Altadena Golf Course
Statement of Payments Made to the County
For the Period December 1, 2003 through March 31, 2008

	For the 1 Month Ended Dec. 31, <u>2003</u>	For the Year Ended Dec. 31, <u>2004</u>	For the Year Ended Dec. 31, <u>2005</u>	For the Year Ended Dec. 31, <u>2006</u>	For the Year Ended Dec. 31, <u>2007</u>	For the 3 mos. Ended Mar. 31 <u>2008</u>	<u>Totals</u>
County Share of Revenue Earned, per audit	\$ 13,608	210,786	199,087	200,203	203,530	45,066	872,280
Payments to County by Concessionaire	<u>13,608</u>	<u>210,786</u>	<u>95,666</u>	<u>43,777</u>	<u>-</u>	<u>-</u>	<u>363,837</u>
Amount Due To/(From) County (note 3)	<u>\$ -</u>	<u>-</u>	<u>103,421</u>	<u>156,426</u>	<u>203,530</u>	<u>45,066</u>	<u>508,443</u>

Note: This schedule does not include any late payment fees that may apply to certain years.

See accompanying notes to financial statements.

COUNTY OF LOS ANGELES
Report on Audit of Concessionaire Agreement
Altadena Golf Course

Statement of Gross Sales and Rent Earned
For the Period December 1, 2003 through March 31, 2008

	Per Audit			Rental Income	Due To/ (From)
	Gross Revenue	Contracted Percentage	Rental Income	Received by County	County (note 3)
<u>For the Month Ended December 31, 2003</u>					
Food & Beverage	\$ 8,992	7%	629	629	-
Liquor	3,336	10%	334	334	-
Merchandise	5,794	4%	232	232	-
Golf Carts	9,305	20%	1,861	1,861	-
Driving Range	9,036	15%	1,355	1,355	-
Green Fees	45,887	20%	9,177	9,177	-
Tournament	-	100%	-	-	-
Equip./Fac. Rental	502	4%	20	20	-
Golf Lessons	<u>1,920</u>	0%	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>84,772</u>		<u>13,608</u>	<u>13,608</u>	<u>-</u>
<u>For the Year Ended December 31, 2004</u>					
Food & Beverage	145,463	7%	10,182	10,182	-
Liquor	57,940	10%	5,794	5,794	-
Merchandise	68,151	4%	2,726	2,726	-
Golf Carts	142,766	20%	28,553	28,553	-
Driving Range	138,070	15%	20,711	20,711	-
Green Fees	711,094	20%	142,219	142,219	-
Tournament	327	100%	327	327	-
Equip./Fac. Rental	6,860	4%	274	274	-
Golf Lessons	<u>43,010</u>	0%	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>1,313,681</u>		<u>210,786</u>	<u>210,786</u>	<u>-</u>

See accompanying notes to financial statements.

COUNTY OF LOS ANGELES
Report on Audit of Concessionaire Agreement
Altadena Golf Course

Statement of Gross Sales and Rent Earned
For the Period December 1, 2003 through March 31, 2008

		Per Audit		Rental Income	Due To/ (From)
	Gross Revenue	Contracted Percentage	Rental Income	Received by County	County (note 3)
<u>For the Year Ended December 31, 2005</u>					
Food & Beverage	145,181	7%	10,163	4,653	5,510
Liquor	56,957	10%	5,696	2,698	2,998
Merchandise	72,975	4%	2,919	1,517	1,402
Golf Carts	149,570	20%	29,914	13,024	16,890
Driving Range	115,320	15%	17,298	9,048	8,250
Green Fees	663,645	20%	132,729	64,586	68,143
Tournament	119	100%	119	22	97
Equip./Fac. Rental	6,228	4%	249	118	131
Golf Lessons	35,698	0%	-	-	-
Total	<u>1,245,693</u>		<u>199,087</u>	<u>95,666</u>	<u>103,421</u>
<u>For the Year Ended December 31, 2006</u>					
Food & Beverage	151,052	7%	10,574	2,282	8,292
Liquor	65,117	10%	6,512	1,324	5,188
Merchandise	54,405	4%	2,176	535	1,641
Golf Carts	166,080	20%	33,216	6,443	26,773
Driving Range	122,448	15%	18,367	4,342	14,025
Green Fees	643,998	20%	128,800	28,544	100,256
Tournament	312	100%	312	260	52
Equip./Fac. Rental	6,150	4%	246	47	199
Golf Lessons	17,760	0%	-	-	-
Total	<u>1,227,322</u>		<u>200,203</u>	<u>43,777</u>	<u>156,426</u>

See accompanying notes to financial statements.

COUNTY OF LOS ANGELES
Report on Audit of Concessionaire Agreement
Altadena Golf Course
Statement of Gross Sales and Rent Earned
For the Period December 1, 2003 through March 31, 2008

		Per Audit		Rental Income	Due To/ (From)
	Gross Revenue	Contracted Percentage	Rental Income	Received by County	County (note 3)
<u>For the Year Ended December 31, 2007</u>					
Food & Beverage	154,936	7%	10,846	-	10,846
Liquor	74,377	10%	7,438	-	7,438
Merchandise	54,813	4%	2,193	-	2,193
Golf Carts	172,940	20%	34,588	-	34,588
Driving Range	122,255	15%	18,338	-	18,338
Green Fees	646,511	20%	129,302	-	129,302
Tournament	568	100%	568	-	568
Equip./Fac. Rental	6,430	4%	257	-	257
Golf Lessons	28,151	0%	-	-	-
Total	1,260,981		203,530	-	203,530
<u>January 1, 2008 through March 31, 2008</u>					
Food & Beverage	37,965	7%	2,658	-	2,658
Liquor	18,899	10%	1,890	-	1,890
Merchandise	11,824	4%	473	-	473
Golf Carts	34,574	20%	6,915	-	6,915
Driving Range	33,973	15%	5,096	-	5,096
Green Fees	138,924	20%	27,785	-	27,785
Tournament	85	100%	85	-	85
Equip./Fac. Rental	1,260	4%	50	-	50
Golf Lessons	4,073	0%	-	-	-
Minimum payment adjustment	-	n/a	114	-	114
Total	281,577		45,066	-	45,066
Total-all periods	\$ 5,414,026		872,280	363,837	508,443

See accompanying notes to financial statements.

COUNTY OF LOS ANGELES

Report on Audit of Concessionaire Agreement

Altadena Golf Course

Notes to Financial Statements

For the period December 1, 2003 through March 31, 2008

(1) Background

The County of Los Angeles entered into various revenue agreements with private contractors to provide concessionaire services within County facilities. Separate Agreements were entered into for the operators of the golf courses on various County owned land. Under the concessionaire revenue agreements, each concessionaire pays the County monthly rent based upon a percentage of monthly gross sales but not less than a minimum rent amount.

The original term of the Agreement was October 30, 1984 through 1999. The Agreement has since been amended by extending the terms of the Agreement through 2014. DC Golf has operated the Altadena Golf Course at 1456 E. Mendocino Street in the City of Altadena since 1984. The hours of operation are from dawn until dusk seven days a week.

(2) Summary of Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared from the Concessionaire's Monthly Statements submitted during the audit period and the Concessionaire's financial records.

The concessionaire prepared the Concessionaire's Monthly Statements in accordance with the Lease Agreement between the County of Los Angeles and the Altadena Golf Course, dated October 30, 1984. The basis of accounting used to prepare the Concessionaire Monthly Statements differ from accounting principles generally accepted in the United States of America. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

Monthly Rent

In accordance with the Lease Agreement between the County of Los Angeles and the Altadena Golf Course, dated October 30, 1984, monthly rent was calculated based upon a percentage (4 to 100 percent) of gross sales by specific revenue category. The minimum monthly rent per the Lease Agreement is \$12,000.

COUNTY OF LOS ANGELES

Report on Audit of Concessionaire Agreement

Altadena Golf Course

Notes to Financial Statements

For the period December 1, 2003 through March 31, 2008

(3) Amount Due To/(From) County

It was noted during the audit that the Concessionaire had not made rental payments to the County for thirty of the fifty-two months in the audit period. The thirty months and the rental amounts owed are as follows:

June 2005	\$ 19,544
July 2005	19,293
August 2005	17,614
September 2005	16,559
October 2005	15,532
November 2005	14,879
April 2006	18,424
May 2006	19,396
June 2006	19,247
July 2006	17,948
August 2006	17,923
September 2006	15,963
October 2006	16,421
November 2006	15,330
December 2006	15,774
January 2007	14,991
February 2007	14,362
March 2007	17,388
April 2007	18,343
May 2007	18,951
June 2007	19,344
July 2007	18,758
August 2007	18,105
September 2007	16,980
October 2007	16,162
November 2007	15,096
December 2007	15,051
January 2008	12,000
February 2008	14,283
March 2008	<u>18,782</u>
Total	<u>\$ 508,443</u>

COUNTY OF LOS ANGELES

Report on Audit of Concessionaire Agreement

Altadena Golf Course

Notes to Financial Statements

For the period December 1, 2003 through March 31, 2008

(3) Amount Due To/(From) County, (Continued)

Concessionaire's Response

On August 28, 2003 I exercised my option to readjust the terms and conditions of my lease pursuant paragraph 5.01. This was done due to a significant downward trend in rounds played, increased expenses and the resulting financial difficulties.

My request was basically ignored by the department for approximately a year and a half during which time I borrowed in excess of \$500,000 in order to meet my obligations under the lease.

From April 2005 through April 2006 I had a number of meetings with different parks department staff trying to come to a resolution. In April of 2006 the CEO's office took over the renegotiation of my leases and I continue, to this day, in my efforts to resolve this issue.

In June of 2005 cash flow prohibited me from making my rental payments and I did not have the capacity to borrow additional funds. I was able to make some payments in early 2006. However, by April of 2006 I could no longer make the payments.

Please be assured that not making these payments is due to lack of funds and not lack of desire.



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND OTHER MATTERS
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

We have audited the financial statements, as listed in the Table of Contents, of the Altadena Golf Course located in the City of Altadena, for the period December 1, 2003 through March 31, 2008, and have issued our report thereon dated September 16, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Altadena Golf Course's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Recommendations as Items 08-1 and 08-3.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Altadena Golf Course's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Altadena Golf Course's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Altadena Golf Course's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Altadena Golf Course's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the

Ms. Wendy L. Watanabe
Acting Auditor-Controller
County of Los Angeles
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financial statements that is more than inconsequential will not be prevented or detected by the Altadena Golf Course's internal control. Matters conforming to this definition are described in the accompanying Schedule of Findings and Recommendations as Items 08-01 through 08-03.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Altadena Golf Course's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. Of the significant deficiencies in internal control identified above, we consider Items 08-01 through 08-03 to be material weaknesses, as defined above.

The Concessionaire's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Recommendations. We did not audit the Concessionaire's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the County of Los Angeles Auditor-Controller, the County of Los Angeles Department of Parks and Recreation and the management of the Altadena Golf Course, and is not intended to be and should not be used by anyone other than those specified parties.

Mayer Hoffman McCann P.C.

Irvine, California
September 16, 2008

COUNTY OF LOS ANGELES

Report on Audit of Concessionaire Agreement

Altadena Golf Course

Schedule of Findings and Recommendations

For the period December 1, 2003 through March 31, 2008

(08-1) Making Monthly Payments to the County in Accordance with the Agreement

Per Section 5.03 of the Lease Agreement, "...payment shall be made to the Auditor-Controller on or before the fifteenth (15th) day of the calendar month following each month". During our testwork, it was noted that the Altadena Golf Course had not made monthly rental payments for six of the months in 2005, nine of the months in 2006, twelve of the months in 2007 and three of the months in 2008. The total rent for those thirty months amounted to \$508,443. It was also noted that rental payments for two of the months that had been paid to the County were paid beyond the fifteen day requirement.

Recommendation

Efforts should be made by the Altadena Golf Course to ensure that the required monthly rental payments are made to the County in accordance with the terms of the Agreement. Also, the amount of rent that is currently past due should be remitted to the County.

Concessionaire Comments Regarding Corrective Action Planned

On August 28, 2003 I exercised my option to readjust the terms and conditions of my lease pursuant paragraph 5.01. This was done due to a significant downward trend in rounds played, increased expenses and the resulting financial difficulties.

My request was basically ignored by the department for approximately a year and a half during which time I borrowed in excess of \$500,000 in order to meet my obligations under the lease.

From April 2005 through April 2006 I had a number of meetings with different parks department staff trying to come to a resolution. In April of 2006 the CEO's office took over the renegotiation of my leases and I continue, to this day, in my efforts to resolve this issue.

In June of 2005 cash flow prohibited me from making my rental payments and I did not have the capacity to borrow additional funds. I was able to make some payments in early 2006. However, by April of 2006 I could no longer make the payments.

Please be assured that not making these payments is due to lack of funds and not lack of desire.

COUNTY OF LOS ANGELES
Report on Audit of Concessionaire Agreement
Altadena Golf Course
Schedule of Findings and Recommendations
(Continued)

(08-2) Daily Cash Receipts Records

In December of 2007, certain of the Altadena Golf Course's daily cash receipts records were destroyed or damaged by a fire. From an inventory summary provided by the Altadena Golf Course, daily cash receipts records were available for most of the days for thirty-eight of the fifty-two month audit period. Our daily cash receipts testwork involved the months and days for which the daily records were available.

Our audit procedures included the comparison of the Monthly Rent Statement reported to the County, to the Monthly Revenue Summaries (accounting system), to certain daily cash receipts records. Our review of the selected daily cash receipt records (daily Z summary reports, daily sales journals, cash register tapes, etc.) disclosed the following items:

- The daily cash receipts records for four of the days selected did not contain daily Z summary reports.
- For three of those four days with no Z summary reports, the testwork revealed certain minor differences between that day's revenue entry and the amount supported by daily cash receipts records.
- For one of those four days with no Z summary reports, there was insufficient documentation available in the records to determine whether the daily revenue amount reported in the accounting system was accurate.
- On four days we noted that certain transactions had been voided after the end-of-day balancing by the cashiers. A Daily Void Sheet was completed to document an explanation for each void. However, supporting documentation had not been retained to support the explanations.

Recommendation

We recommend that daily cash receipts records be properly maintained to support amounts reported in the accounting system and on the Monthly Rent Statements. In addition, we recommend that variances between the daily cash receipts records and amounts reported on the Monthly Rent Statement be properly explained and documented. It is important for this information to be documented at the time of the transaction rather than after the fact. If a transaction is voided after the end-of-day balancing, supporting documentation should be attached to the Daily Void Sheet and that voided transaction should be reviewed and approved by someone independent of the preparation.

Concessionaire Comments Regarding Corrective Action Planned

Our staff is trained to make corrections at the time of the transaction. However, there are times when they don't catch the error, and other times, they are not sure how to make the correction. In the latter case, they will note the error and we will make the correction in the process of our daily reconciliation.

COUNTY OF LOS ANGELES
Report on Audit of Concessionaire Agreement
Altadena Golf Course
Schedule of Findings and Recommendations
(Continued)

(08-2) Daily Cash Receipts Records,(Continued)

The correction/adjustment is manually made to the daily Z summary and support documentation is attached. Due to fact that these adjustments are "*after the fact*" the data has already flowed from the POS to the general ledger in our accounting software. Therefore, shortly after the end of the calendar month we make all of the general ledger adjustments from the corrected daily Z summaries. Those summaries are placed back in the transfer box with the daily envelopes for that month.

Unfortunately due to fire those loose papers were destroyed. From this point on, we will place those daily adjustments in their respective envelope.

With respect to the voided transactions, we will amend our policy and I will review and sign-off on them. Additionally, we will support the adjustment by noting the transaction number and flagging the transaction. If tapes run together we will make the appropriate copies and attach them.

Should you have further suggestions as to better procedures that described above, we would certainly consider them.

(06-3) Late Payment Charges

Per Section 5.03 of the Lease Agreement, "a late payment charge of two percent (2%) per month shall be added to any late payment that is received by said officer after the last day of the calendar month in which payment is due." During our audit, we noted that payments for thirty of the months had not been made to the County. For each of those thirty months we have prepared a schedule calculating the late payment charge. The total late payment charge is \$169,134 and is documented on Schedule A-1.

Recommendation

We recommend that the management of the Altadena Golf Course make efforts to ensure monthly payments are made timely to avoid late payment charges. The Altadena Golf Course should also discuss with the County payment of the \$169,134 in late charges as calculated on Schedule A-1.

Concessionaire Comments Regarding Corrective Action Planned

See response provided to the comment identified as 08-1.

COUNTY OF LOS ANGELES

Schedule A-1

Report on Audit of Concessionaire Agreement

Altadena Golf Course - Analysis of 2% Late Payment Charge

For the Period December 1, 2003 through March 31, 2008

	Audited Rental Income Owed to County and Not Paid	2% of Unpaid Balance	Months Late	Late Payment Charge*
June 2005	\$ 19,544	391	34	\$ 13,294
July 2005	19,293	386	33	12,738
August 2005	17,614	352	32	11,264
September 2005	16,559	331	31	10,261
October 2005	15,532	311	30	9,330
November 2005	14,879	298	29	8,642
April 2006	18,424	368	24	8,832
May 2006	19,396	388	23	8,924
June 2006	19,247	385	22	8,470
July 2006	17,948	359	21	7,539
August 2006	17,923	358	20	7,160
September 2006	15,963	319	19	6,061
October 2006	16,421	328	18	5,904
November 2006	15,330	307	17	5,219
December 2006	15,774	315	16	5,040
January 2007	14,991	300	15	4,500
February 2007	14,362	287	14	4,018
March 2007	17,388	348	13	4,524
April 2007	18,343	367	12	4,404
May 2007	18,951	379	11	4,169
June 2007	19,344	387	10	3,870
July 2007	18,758	375	9	3,375
August 2007	18,105	362	8	2,896
September 2007	16,980	340	7	2,380
October 2007	16,162	323	6	1,938
November 2007	15,096	302	5	1,510
December 2007	15,051	301	4	1,204
January 2008	12,000	240	3	720
February 2008	14,283	286	2	572
March 2008	18,782	376	1	376
	<u>\$ 508,443</u>	<u>10,169</u>		<u>\$ 169,134</u>

* The Late Payment Charge was calculated through May 2008. The above schedule only includes months where the monthly rent had not been paid as of the end of our fieldwork, May 1, 2008.

Attachment II

COUNTY OF LOS ANGELES
Report on Audit of Concessionaire Agreement
Eaton Canyon Golf Course
For the period December 1, 2003
through March 31, 2008

COUNTY OF LOS ANGELES
Report on Audit of Concessionaire Agreement
Eaton Canyon Golf Course
For the period December 1, 2003 through March 31, 2008

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INDEPENDENT AUDITORS' REPORT

We have audited the financial statements, as listed in the Table of Contents, of the Eaton Canyon Golf Course for the period December 1, 2003 through March 31, 2008. The payments made to the County, gross sales, rent earned and other amounts included in the financial statements are the responsibility of the management of the Eaton Canyon Golf Course located in the City of Pasadena. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance regarding whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts presented in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

As more fully described in Note 2 to the Financial Statements, the management of the Eaton Canyon Golf Course prepared the information used to generate the financial statements in accordance with contractual requirements. The accounting practices used to prepare the financial statements may differ in some respects from generally accepted accounting principles. Accordingly, the accompanying financial statements, which are based in part on the Concessionaire's Monthly Statement, are not intended to present the financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the payments made to the County, gross sales by reporting category and rent earned by the Eaton Canyon Golf Course for the period December 1, 2003 through March 31, 2008, in conformity with the basis of accounting described in Note 2.

Ms. Wendy L. Watanabe
Acting Auditor-Controller
County of Los Angeles
Page Two

In accordance with *Government Auditing Standards*, we have also issued a report dated September 16, 2008 on our consideration of Eaton Canyon Golf Course's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the County of Los Angeles Auditor-Controller, the County of Los Angeles Department of Parks and Recreation and the management of the Eaton Canyon Golf Course, and is not intended to be and should not be used by anyone other than those specified parties.

Mayer Hoffman McCann P.C.

Irvine, California
September 16, 2008

COUNTY OF LOS ANGELES

Report on Audit of Concessionaire Agreement

Eaton Canyon Golf Course

Statement of Payments Made to County

For the Period December 1, 2003 through March 31, 2008

	For the Month Ended Dec. 31, <u>2003</u>	For the Year Ended Dec. 31, <u>2004</u>	For the Year Ended Dec. 31, <u>2005</u>	For the Year Ended Dec. 31, <u>2006</u>	For the Year Ended Dec. 31, <u>2007</u>	For the 3 mos. Ended Mar. 31, <u>2008</u>	<u>Totals</u>
County Share of Revenue							
Earned, per audit	\$ 16,005	247,357	237,801	236,949	239,209	55,591	1,032,912
Payments to County by							
Concessionaire	<u>16,005</u>	<u>247,357</u>	<u>113,228</u>	<u>53,961</u>	<u>-</u>	<u>-</u>	<u>430,551</u>
Amount Due To/(From)							
County (note 3)	<u>\$ -</u>	<u>-</u>	<u>124,573</u>	<u>182,988</u>	<u>239,209</u>	<u>55,591</u>	<u>602,361</u>

Note: This schedule does not include any late payment fees that may apply to certain years.

See accompanying notes to financial statements.

COUNTY OF LOS ANGELES
Report on Audit of Concessionaire Agreement
Eaton Canyon Golf Course
Statement of Gross Sales and Rent Earned
For the Period December 1, 2003 through March 31, 2008

		Per Audit		Rental Income Received by County	Due To/ (From) County (note 3)
	Gross Revenue	Contracted Percentage	Rental Income		
<u>For the Month Ended December 31, 2003</u>					
Food & Beverage	\$ 8,411	7%	589	589	-
Liquor	5,625	10%	562	562	-
Merchandise	4,552	4%	182	182	-
Golf Carts	16,379	20%	3,276	3,276	-
Driving Range	8,124	15%	1,219	1,219	-
Green Fees	50,788	20%	10,157	10,157	-
Tournament	-	100%	-	-	-
Equip./Fac. Rental	512	4%	20	20	-
Golf Lessons	660	0%	-	-	-
Total	95,051		16,005	16,005	-
<u>For the Year Ended December 31, 2004</u>					
Food & Beverage	127,800	7%	8,946	8,946	-
Liquor	95,600	10%	9,560	9,560	-
Merchandise	56,976	4%	2,279	2,279	-
Golf Carts	237,495	20%	47,499	47,499	-
Driving Range	130,921	15%	19,638	19,638	-
Green Fees	795,329	20%	159,066	159,066	-
Tournament	146	100%	146	146	-
Equip./Fac. Rental	5,580	4%	223	223	-
Golf Lessons	18,380	0%	-	-	-
Total	1,468,227		247,357	247,357	-

See accompanying notes to financial statements.

COUNTY OF LOS ANGELES
Report on Audit of Concessionaire Agreement
Eaton Canyon Golf Course

Statement of Gross Sales and Rent Earned
For the Period December 1, 2003 through March 31, 2008

	Per Audit			Rental Income	Due To/ (From)
	Gross Revenue	Contracted Percentage	Rental Income	Received by County	County (note 3)
<u>For the Year Ended December 31, 2005</u>					
Food & Beverage	124,787	7%	8,735	4,137	4,598
Liquor	90,352	10%	9,035	4,130	4,905
Merchandise	63,847	4%	2,554	1,264	1,290
Golf Carts	238,745	20%	47,749	21,676	26,073
Driving Range	116,091	15%	17,414	8,509	8,905
Green Fees	753,132	20%	150,626	72,005	78,621
Tournament	186	100%	186	129	57
Equip./Fac. Rental	5,764	4%	231	107	124
Golf Lessons	20,443	0%	-	-	-
Minimum payment adjustment	-	n/a	1,271	1,271	-
Total	1,413,347		237,801	113,228	124,573
<u>For the Year Ended December 31, 2006</u>					
Food & Beverage	127,331	7%	8,913	2,004	6,909
Liquor	102,249	10%	10,225	2,198	8,027
Merchandise	63,250	4%	2,530	538	1,992
Golf Carts	244,676	20%	48,935	10,591	38,344
Driving Range	114,107	15%	17,116	4,251	12,865
Green Fees	743,898	20%	148,780	34,286	114,494
Tournament	251	100%	251	48	203
Equip./Fac. Rental	4,986	4%	199	45	154
Golf Lessons	21,722	0%	-	-	-
Total	1,422,470		236,949	53,961	182,988

See accompanying notes to financial statements.

COUNTY OF LOS ANGELES

Report on Audit of Concessionaire Agreement

Eaton Canyon Golf Course

Statement of Gross Sales and Rent Earned

For the Period December 1, 2003 through March 31, 2008

	Per Audit			Rental Income	Due To/ (From)
	Gross Revenue	Contracted Percentage	Rental Income	Received by County	County (note 3)
<u>For the Year Ended December 31, 2007</u>					
Food & Beverage	128,677	7%	9,007	-	9,007
Liquor	117,321	10%	11,732	-	11,732
Merchandise	63,164	4%	2,527	-	2,527
Golf Carts	242,757	20%	48,551	-	48,551
Driving Range	115,027	15%	17,254	-	17,254
Green Fees	747,830	20%	149,566	-	149,566
Tournament	345	100%	345	-	345
Equip./Fac. Rental	5,674	4%	227	-	227
Golf Lessons	22,225	0%	-	-	-
Total	1,443,020		239,209	-	239,209
<u>January 1, 2008 through March 31, 2008</u>					
Food & Beverage	29,958	7%	2,097	-	2,097
Liquor	30,462	10%	3,046	-	3,046
Merchandise	12,958	4%	518	-	518
Golf Carts	56,259	20%	11,252	-	11,252
Driving Range	32,847	15%	4,927	-	4,927
Green Fees	166,666	20%	33,333	-	33,333
Tournament	40	100%	40	-	40
Equip./Fac. Rental	1,336	4%	53	-	53
Golf Lessons	3,668	0%	-	-	-
Minimum payment adjustment	-	n/a	325	-	325
Total	334,194		55,591	-	55,591
Total-all periods	\$ 6,176,309		1,032,912	430,551	602,361

See accompanying notes to financial statements.

COUNTY OF LOS ANGELES

Report on Audit of Concessionaire Agreement

Eaton Canyon Golf Course

Notes to Financial Statements

For the period December 1, 2003 through March 31, 2008

(1) Background

The County of Los Angeles entered into various revenue agreements with private contractors to provide concessionaire services within County facilities. Separate Agreements were entered into for the operators of the golf courses on various County owned land. Under the Concessionaire revenue agreements, each concessionaire pays the County monthly rent based upon a percentage of monthly gross sales but not less than a minimum rent amount.

The original term of the Agreement was October 30, 1984 through 1999. The Agreement has since been amended by extending the terms of the Agreement through 2014. DC Golf has operated the Eaton Canyon Golf Course at 1150 N. Sierra Madre Villa Avenue in the City of Pasadena since 1984. The hours of operation are from dawn until dusk seven days a week.

(2) Summary of Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared from the Concessionaire's Monthly Statements submitted during the audit period and the Concessionaire's financial records.

The Concessionaire prepared the Concessionaire's Monthly Statements in accordance with the Lease Agreement between the County of Los Angeles and the Eaton Canyon Golf Course, dated October 30, 1984. The basis of accounting used to prepare the Concessionaire Monthly Statements differ from accounting principles generally accepted in the United States of America. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

Monthly Rent

In accordance with the Lease Agreement between the County of Los Angeles and the Eaton Canyon Golf Course, dated October 30, 1984, monthly rent was calculated based upon a percentage (4 to 100 percent) of gross sales by specific revenue category. The minimum monthly rent per the Lease Agreement is \$14,875.

COUNTY OF LOS ANGELES

Report on Audit of Concessionaire Agreement

Eaton Canyon Golf Course

Notes to Financial Statements

For the period December 1, 2003 through March 31, 2008

(3) Amount Due To/(From) County

It was noted during the audit that the Concessionaire had not made rental payments to the County for thirty of the fifty-two months in the audit period. The thirty months and the rental amounts owed are as follows:

June 2005	\$ 23,054
July 2005	23,363
August 2005	21,190
September 2005	19,405
October 2005	19,064
November 2005	18,497
April 2006	21,016
May 2006	22,857
June 2006	21,434
July 2006	21,163
August 2006	20,321
September 2006	19,967
October 2006	20,070
November 2006	18,268
December 2006	17,892
January 2007	17,028
February 2007	15,891
March 2007	20,078
April 2007	20,484
May 2007	22,924
June 2007	23,018
July 2007	22,497
August 2007	21,100
September 2007	19,107
October 2007	19,682
November 2007	18,625
December 2007	18,774
January 2008	14,875
February 2008	17,430
March 2008	<u>23,287</u>
Total	<u>\$ 602,361</u>

COUNTY OF LOS ANGELES

Report on Audit of Concessionaire Agreement

Eaton Canyon Golf Course

Notes to Financial Statements

For the period December 1, 2003 through March 31, 2008

(3) Amount Due To/(From) County, (Continued)

Concessionaire's Response

On August 28, 2003 I exercised my option to readjust the terms and conditions of my lease pursuant paragraph 5.01. This was done due to a significant downward trend in rounds played, increased expenses and the resulting financial difficulties.

My request was basically ignored by the department for approximately a year and a half during which time I borrowed in excess of \$500,000 in order to meet my obligations under the lease.

From April 2005 through April 2006 I had a number of meetings with different parks department staff trying to come to a resolution. In April of 2006 the CEO's office took over the renegotiation of my leases and I continue, to this day, in my efforts to resolve this issue.

In June of 2005 cash flow prohibited me from making my rental payments and I did not have the capacity to borrow additional funds. I was able to make some payments in early 2006. However, by April of 2006 I could no longer make the payments.

Please be assured that not making these payments is due to lack of funds and not lack of desire.



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND OTHER MATTERS
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

We have audited the financial statements, as listed in the Table of Contents, of the Eaton Canyon Golf Course located in the City of Pasadena, for the period December 1, 2003 through March 31, 2008, and have issued our report thereon dated September 16, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Eaton Canyon Golf Course's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Recommendations as Items 08-1 and 08-3.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Eaton Canyon Golf Course's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Eaton Canyon Golf Course's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Eaton Canyon Golf Course's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Eaton Canyon Golf Course's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the

Ms. Wendy L. Watanabe
Acting Auditor-Controller
County of Los Angeles
Page Two

financial statements that is more than inconsequential will not be prevented or detected by the Eaton Canyon Golf Course's internal control. Matters conforming to this definition are described in the accompanying Schedule of Findings and Recommendations as Items 08-1 through 08-03.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Eaton Canyon Golf Course's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. Of the significant deficiencies in internal control identified above, we consider Items 08-01 through 08-03 to be material weaknesses, as defined above.

The Concessionaire's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Recommendations. We did not audit the Concessionaire's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the County of Los Angeles Auditor-Controller, the County of Los Angeles Department of Parks and Recreation and the management of the Eaton Canyon Golf Course, and is not intended to be and should not be used by anyone other than those specified parties.

Mayer Hoffman McCann P.C.

Irvine, California
September 16, 2008

COUNTY OF LOS ANGELES

Report on Audit of Concessionaire Agreement

Eaton Canyon Golf Course

Schedule of Findings and Recommendations

For the period December 1, 2003 through March 31, 2008

(08-1) Making Monthly Payments to the County in Accordance with the Agreement

Per Section 5.03 of the Lease Agreement, "...payment shall be made to the Auditor-Controller on or before the fifteenth (15th) day of the calendar month following each month". During our testwork, it was noted that the Eaton Canyon Golf Course had not made monthly rental payments for six of the months in 2005, nine of the months in 2006, twelve of the months in 2007 and three of the months in 2008. The total rent for those thirty months amounted to \$602,361.

Recommendation

Efforts should be made by the Eaton Canyon Golf Course to ensure that the required monthly rental payments are made to the County in accordance with the terms of the Agreement. Also, the amount of rent that is currently past due should be remitted to the County.

Concessionaire Comments Regarding Corrective Action Planned

On August 28, 2003 I exercised my option to readjust the terms and conditions of my lease pursuant paragraph 5.01. This was done due to a significant downward trend in rounds played, increased expenses and the resulting financial difficulties.

My request was basically ignored by the department for approximately a year and a half during which time I borrowed in excess of \$500,000 in order to meet my obligations under the lease.

From April 2005 through April 2006 I had a number of meetings with different parks department staff trying to come to a resolution. In April of 2006 the CEO's office took over the renegotiation of my leases and I continue, to this day, in my efforts to resolve this issue.

In June of 2005 cash flow prohibited me from making my rental payments and I did not have the capacity to borrow additional funds. I was able to make some payments in early 2006. However, by April of 2006 I could no longer make the payments.

Please be assured that not making these payments is due to lack of funds and not lack of desire.

COUNTY OF LOS ANGELES

Report on Audit of Concessionaire Agreement

Eaton Canyon Golf Course

Schedule of Findings and Recommendations

(Continued)

(08-2) Daily Cash Receipts Records

In December of 2007, certain of the Eaton Canyon Golf Course's daily cash receipts records were destroyed or damaged by a fire. From an inventory summary provided by the Eaton Canyon Golf Course, daily cash receipts records were available for most of the days for forty-seven of the fifty-two month audit period. Our daily cash receipts testwork involved the months and days for which the daily records were available.

Our audit procedures included the comparison of the Monthly Rent Statement reported to the County, to the Monthly Revenue Summaries (accounting system), to certain daily cash receipts records. We selected twenty-seven daily revenue entries and obtained support. Our review of the selected daily cash receipt records (daily Z summary reports, daily sales journals, cash register tapes, etc.) disclosed the following items:

- The daily cash receipts records for five of the days selected did not contain daily Z summary reports.
- For four of the five days with no Z summary reports, the testwork revealed certain minor differences between that day's revenue entry and the amount supported by daily cash receipts records.
- For one of the five days with no Z summary reports, there was insufficient documentation available in the records to determine whether the daily revenue amount reported in the accounting system was accurate.
- On five days we noted that certain transactions had been voided after the end-of-day balancing by the cashiers. A Daily Void Sheet was completed to document an explanation for each void. However, supporting documentation had not been retained to support the explanations.

Recommendation

We recommend that daily cash receipts records be properly maintained to support amounts reported in the accounting system and on the Monthly Rent Statements. In addition, we recommend that variances between the daily cash receipts records and amounts reported on the Monthly Rent Statement be properly explained and documented. It is important for this information to be documented at the time of the transaction rather than after the fact. If a transaction is voided after the end-of-day balancing, supporting documentation should be attached to the Daily Void Sheet and that voided transaction should be reviewed and approved by someone independent of the preparation.

COUNTY OF LOS ANGELES
Report on Audit of Concessionaire Agreement
Eaton Canyon Golf Course
Schedule of Findings and Recommendations
(Continued)

(08-2) Daily Cash Receipts Records, (Continued)

Concessionaire Comments Regarding Corrective Action Planned

Our staff is trained to make corrections at the time of transaction. However, there are times when they don't catch the error, and other times, they are not sure how to make the correction. In the latter case, they will note the error and we will make the correction in the process of our daily reconciliation.

The correction/adjustment is manually made to the daily Z summary and support documentation is attached. Due to fact that these adjustments are "*after the fact*" the data has already flowed from the POS to the general ledger in our accounting software. Therefore, shortly after the end of the calendar month we make all of the general ledger adjustments from the corrected daily Z summaries. Those summaries are placed back in the transfer box with the daily envelopes for that month.

Unfortunately due to fire those loose papers were destroyed. From this point on, we will place those daily adjustments in their respective envelope.

With respect to the voided transactions, we will amend our policy and I will review and sign-off on them. Additionally, we will support the adjustment by noting the transaction number and flagging the transaction. If tapes run together we will make the appropriate copies and attach them.

Should you have further suggestions as to better procedures that described above, we would certainly consider them.

(08-3) Late Payment Charges

Per Section 5.03 of the Lease Agreement, "a late payment charge of two percent (2%) per month shall be added to any late payment that is received by said officer after the last day of the calendar month in which payment is due." During our audit, we noted that payments for thirty of the months had not been made to the County. For each of those thirty months we have prepared a schedule calculating the late payment charge. The total late payment charge is \$199,843 and is documented on Schedule A-1.

COUNTY OF LOS ANGELES
Report on Audit of Concessionaire Agreement
Eaton Canyon Golf Course
Schedule of Findings and Recommendations
(Continued)

(08-3) Late Payment Charges, (Continued)

Recommendation

We recommend that the management of the Eaton Canyon Golf Course make efforts to ensure monthly payments are made timely to avoid late payment charges. The Eaton Canyon Golf Course should also discuss with the County payment of the \$199,843 in late charges as calculated on Schedule A-1.

Concessionaire Comments Regarding Corrective Action Planned

See response provided to the comment identified as 08-1.

COUNTY OF LOS ANGELES

Schedule A-1

Report on Audit of Concessionaire Agreement

Eaton Canyon Golf Course - Analysis of 2% Late Payment Charge

For the Period December 1, 2003 through March 31, 2008

	Audited Rental Income Owed to County and Not Paid	2% of Unpaid Balance	Months Late	Late Payment Charge*
June 2005	\$ 23,054	461	34	\$ 15,674
July 2005	23,363	467	33	15,411
August 2005	21,190	424	32	13,568
September 2005	19,405	388	31	12,028
October 2005	19,064	381	30	11,430
November 2005	18,497	370	29	10,730
April 2006	21,016	420	24	10,080
May 2006	22,857	457	23	10,511
June 2006	21,434	429	22	9,438
July 2006	21,163	423	21	8,883
August 2006	20,321	406	20	8,120
September 2006	19,967	399	19	7,581
October 2006	20,070	401	18	7,218
November 2006	18,268	365	17	6,205
December 2006	17,892	358	16	5,728
January 2007	17,028	341	15	5,115
February 2007	15,891	318	14	4,452
March 2007	20,078	402	13	5,226
April 2007	20,484	410	12	4,920
May 2007	22,924	458	11	5,038
June 2007	23,018	460	10	4,600
July 2007	22,497	450	9	4,050
August 2007	21,100	422	8	3,376
September 2007	19,107	382	7	2,674
October 2007	19,682	394	6	2,364
November 2007	18,625	373	5	1,865
December 2007	18,774	375	4	1,500
January 2008	14,875	298	3	894
February 2008	17,430	349	2	698
March 2008	23,287	466	1	466
	<u>\$ 602,361</u>	<u>12,047</u>		<u>\$ 199,843</u>

* The Late Payment Charge was calculated through May 2008. The above schedule only includes months where the monthly rent had not been paid as of the end of our fieldwork, May 1, 2008.